



Defense Finance and Accounting Service **Retired Pay Newsletter** 2006 At-a-Glance

Legislation update

Congress finalized the 2007 National Defense Authorization Act (NDAA). Listed below are the legislative changes that could affect military retirees:

- Members retiring on or after January 1, 2007 will receive credit for years of active service in excess of 30 years. This will permit computing retired pay percentages from 75 to 100% of the active duty pay.
- Permits a member with Natural Interest Person (NIP) coverage under the Survivor Benefit Plan (SBP) to elect a new NIP if the original NIP dies.
 - Provides a two-year survival period to make election fully effective
 - Requires a buy-in for any period in which NIP premiums were not paid
 - Provides a two-year open season for member if NIP died prior to enactment.
 - Provides a six month election period for member if NIP died after the enactment

Cost of Living adjustments for 2007

Based on the increase in the Consumer Price Index, there will be a cost of living increase for retired pay and for SBP annuities effective December 1, 2006.

Retirees being paid on an account where the retiree first became a member of the uniformed services before September 8, 1980 and retired prior to January 1, 2006 will receive a full COLA increase of 3.3 percent.

Retirees being paid on an account where the retiree first became a member of a uniformed services before September 8, 1980 and retired on or after January 1, 2006 will receive a partial COLA increase of 2.8 percent.

The COLA increase for retirees being paid on an account where the retiree first became a member of a uniformed service on or after September 8, 1980 will be as follows:

- 3.3% for those retiring before January 1, 2006
- 2.8% for those retiring in the 1st quarter, CY 2006
- 2.4% for those retiring in the 2nd quarter, CY 2006
- 0.6% for those retiring in the 3rd quarter, CY 2006
- 0.0% for those retiring in the 4th quarter, CY 2006

Retirees being paid on an account where the retiree first became a member of the uniformed services on or after August 1, 1986 and retired on or prior to January 1, 2006 but elected to receive a Career Status Bonus at 15 years of active service, will receive a COLA increase of 2.3 percent.

Retirees being paid on an account where the retiree first became a member of a uniformed service on or after August 1, 1986, retired on or after January 1, 2006, and elected to receive a Career Status Bonus at 15 years of active service will receive a partial COLA as follows:

- 2.3% for those retiring before January 1, 2006
- 2.0% for those retiring in the 1st quarter, CY 2006
- 1.9% for those retiring in the 2nd quarter, CY 2006
- 0.3% for those retiring in the 3rd quarter, CY 2006
- 0.0% for those retiring in the 4th quarter, CY 2006

The COLA increase will be reflected in the January 2, 2007 payment.

The VA Retro Project for CRSC and CRDP

Two entitlements, Combat Related Special Compensation (CRSC) effective June 1, 2003 and Concurrent Retirement Disability Pay (CRDP) effective January 1, 2004 created monthly payments in addition to military retired pay. These two entitlements are paid to disabled military retirees based on a number of factors, but principally the percentage of disability awarded by the Department of Veterans Affairs (DVA).

CRSC/CRDP Open Season

If a retiree is eligible for both CRDP and CRSC, he/she may participate in the CRDP/CRSC Open Season. This annual election period will be from January 1 through January 31, 2007 and lets the retiree choose which payment is preferred (federal law states that you can receive CRDP or CRSC; not both)

Beginning in late December, eligible retirees will be mailed a CRDP/CRSC Open Season Election Form. The retiree needs to return the form only if making a change from CRDP to CRSC or vice versa. If the retiree prefers to keep things the way they are, do nothing. The payments the retiree now receives will continue uninterrupted.

To help the retiree make a more informed decision, the form will include a comparison of the CRDP and CRSC entitlement amounts as well as information about the collection actions and taxes to which each type of payment is subject.

If the retiree wants to change from CRDP to CRSC or vice versa, the form must be postmarked by January 31, 2007. If the form is dated after this date, it will not be processed and the current payments will continue uninterrupted.

The change in the payment will be effective with the first business day of February 2007. Due to our 30-day processing timeframe, the retiree may receive their first payment on the first business day of March 2007 and a retroactive adjustment for the payment, which would have been paid on the first business day of February.

The retiree's election will remain in effect unless changed from CRDP to CRSC or vice versa in a subsequent annual open season.

Temporary myPay outage

myPay will not be available December 30 through January 1 due to an electrical upgrade to the data center. DFAS apologizes for the inconvenience and for this disruption of service.

CRSC and CRDP were enacted into law to eliminate the longstanding offset between military retired pay and disability compensation, previously referred to as Concurrent Receipt. Federal law previously required that the offset reduce military retired pay by the amount of disability compensation paid. The payment of CRSC or CRDP adds compensation to restore retired military pay for retirees subject to the offset. CRSC and CRDP can never be paid for the same period of time. A military retiree who may qualify for both may be paid one or the other.

When CRSC and CRDP were initially established, payments were made based on the disability percentage awarded by the DVA using the date the change was recorded in the military retired pay system. While this practice was the same as was done for the offset of military retired pay, it did not recognize that CRSC or CRDP payments should increase with the effective date awarded by the DVA, not the date the change was recorded which is always later. The policy was changed to recognize the effective date of the change as awarded by DVA.

The change in policy launched this effort, commonly called the VA Retro Project. This project is a catch-up process for military retirees who were awarded a retroactive increase in their disability compensation during a period in which CRSC or CRDP was paid. For military retirees who have received a retroactive increase in their disability percentage, their pay accounts will be reviewed to determine if additional money is due as a result of using the effective date awarded by the DVA. Many military retirees are due more money for a period from the effective date the DVA awarded the higher percentage up to the date the military retired pay system recorded that change.

The DVA and the Defense Finance and Accounting Service (DFAS) have worked together to coordinate efforts to calculate and adjust pay accounts due to a retroactive award. Military retirees may receive additional money from the DVA, DFAS or, in some cases, both agencies.

DFAS began payments in September 2006 and DVA began payments in November 2006. Completion of the majority of payments is expected within six months. More complex repayment situations may require up to six additional months to complete.

Deceased military retirees may not receive CRSC or CRDP past the date of death. However, the deceased military retiree's designated beneficiary is entitled to any unpaid military retired pay. Retroactive increases made prior to the military retiree's death and during the period in which CRSC/CRDP were paid provides for entitlement to VA Retro payments. These payments will be made to the beneficiary of the deceased.

myPay advantages

Retirees can receive a 1099R and the Retiree Account Statement (RAS) through *myPay* weeks earlier than receiving it in the mail. Account access and *myPay* information is available at <https://mypay.dfas.mil>.

DFAS delivers personal pay information and provides the ability to process pay-related transactions quickly, safely and securely to all its members through *myPay*.

myPay provides retirees with information and monthly newsletters to a user's e-mail address. An e-mail address can be submitted through "Personal Preference" page on the retiree's *myPay* account.

myPay is accessible from any computer, at kiosks on military installations, or via the Interactive Voice Response System. Customer support is available by calling 1-800-390-2348 Monday through Friday between 7 a.m. and 7:30 p.m. (Eastern Time).

Retirees who have forgotten or do not have a *myPay* PIN can request a new one at the *myPay* Web site (<https://mypay.dfas.mil>). If the retiree's e-mail address information has been submitted, a temporary PIN will be sent to this address. Otherwise, a temporary PIN will be mailed to the correspondence address on the pay file.

Revocation of waiver of retired pay in lieu of Concurrent Retirement Disability Pay

In a case where a retiree has waived the military retired pay in order to receive an annuity from the Office of Personnel Management (OPM), that waiver may be revoked under certain conditions to permit the retiree to again receive military retired pay. If the military service was used for entitlement to the annuity, the waiver cannot be revoked. If, however, the military service was only used to increase the OPM annuity, the waiver may be revoked. In the past, this would occur at the time that the retiree reached age 62. At that time the OPM annuity would be reduced based on the member reaching eligibility age for social security benefits. OPM would drop military years from the annuity computation.

Now, with Concurrent Retirement and Disability Pay (CRDP) a member may request to revoke the waiver at any time. As stated above, the revocation can only happen in cases where the military service was used to increase the OPM annuity. Upon notification from OPM, which cites the effective date of the revocation, the retired pay may be reinstated. If this date is retroactive, there may also be a debt to OPM. If OPM advises of the debt, we will pay this debt from the credit due to the member.

Casualty assistance information

When a retiree dies the retired pay stops and the designated beneficiary or next of kin is entitled to those days of pay during the month up to the date of death. Listed below are a few pointers on how to decrease the amount of time it can take to process this payment and assist the beneficiary through this trying time.

- Keep the beneficiary data for arrears of pay up to date. For example if a retiree has a former spouse and has not updated the beneficiary information, the former spouse will receive all pay that is due at the time of death.
- Ensure the beneficiary or next of kin has the casualty number (1-800-269-5170) and reports the death immediately. They must also report the death to all concerned agencies, for example VA, Social Security, insurance agencies, and any other agency that would have a vested interest in the beneficiary. There is very limited information exchanged between government agencies.
- Upon notification of death, the retiree's beneficiary or next of kin will receive an SF 1174 and a request for a Certificate of Death (COD). The SF 1174 must be completely filled out, ensuring all people entitled to the arrears of pay are identified with their names, addresses, and phone numbers and the form is signed and witnessed. If there is no cause of death identified on the COD, an affidavit from a physician is required identifying the retiree's cause or manner of death.